TITLE:	**REVENUE BUDGET, CAPITAL STRATEGY AND COUNCIL TAX 2019/20**
Committee:	Council
Date:	21st February 2019
Author:	Finance Manager

[T205]

1 ISSUE

1.1 This report sets out the Council's proposed revenue budget, capital strategy, and the required level of Council Tax in 2019/20. The report assesses the robustness of the budgets, the adequacy of reserves and up-dates the Council's Medium Term Financial Strategy (MTFS).

2 RECOMMENDATIONS

2.1 To approve:

- The formal Council Tax Resolution which calculates the Council Tax requirement as set out in Appendix 1.
- The draft 2019/20 revenue budget as set out in Appendix 2, including a proposed Council Tax freeze.
- The Statement of Reserves as set out in Appendix 3.
- The 2019/20 Fees and Charges as set out in Appendix 4.
- The capital programme and financing as set out in Appendix 5.
- The awarding of discretionary Business Rate relief to certain retail business premises with a rateable value below £51,000 as set out in paragraphs 5.2 to 5.4.

3 BACKGROUND / OPTIONS

3.1 At the Full Council meeting on 22nd February 2018, members approved a net budget for 2018/19 of £8,215,274 and a frozen Council Tax. The budget had a planned draw of £1,893,096 from the Surplus Savings Reserve. The Medium Term Financial Strategy at that time showed a balanced budget in 2019/20 (using further resources from the Surplus Savings Reserve), but then a budget deficit in 2020/21 with then a significant budget deficit in 2021/22.

3.2 The outturn position for 2017/18 was initially reported to the Resources and Finance Committee on the 18th June 2018, with then a post audit up-date position provided on the 26th July 2018. This showed that due to the proactive actions taken by management to reduce the Council's cost base prior to and during 2017/18, the

Council underspent in 2017/18 by £1,192,883. This was transferred into the Surplus Savings Reserve.

3.3 The Council also benefitted in 2017/18 and the two previous years, from additional Business Rate income from being part of the Cambridgeshire Business Rate Deal which was in place for three years up until March 2018. This generated additional income to the Council of £1,317,939. Some of this has already been allocated for use by the Economic Development Team, but it is recommended that the balance be transferred into the Surplus Savings Reserve for use in balancing the budget in future years. The remainder of this report is based on this transfer having been made.

3.4 Management has continued to reduce the Council's cost base during the current financial year. This work has led to further one-off and on-going savings being made; which both contribute to the projected outturn underspend for this financial year and also provide savings throughout the term of the MTFS. The current yearend forecast underspend for 2018/19 is £433,500, this too will be transferred to the Surplus Savings Reserve at yearend and has been reflected in the figures in this report.

4 GRANT SETTLEMENT

4.1 The Provisional Settlement was announced on Thursday 13th December 2018, with then the Final Local Government Finance Settlement being announced via a written statement on the 29th January 2019.

4.2 The Settlement confirmed the final year of the four year funding deal previously offered by Government, this allowing local government greater certainty on the level of grants it was to receive from Government over (what was at the time) the length of the parliament. This Council resolved to be involved in the four year deal process and submitted the necessary efficiency plan in line with the requirements.

4.3 The Revenue Support Grant figure is therefore the same as was used in preparing the MTFS this time last year. The past two years and the figure for 2019/20 are detailed below and highlight the significant reduction in this funding stream over the period of this deal.

	2017/18	2018/19	2019/20
Provisional Settlement	£659,999	£353,703	£11,576

4.4 Following consultation over the summer, the Settlement made no further changes to the criteria for awarding New Homes Bonus grant. However the changes made in the 2017/18 Settlement remain, which mean that the timeframe over which New Homes Bonus is payable will be four years in 2019/20 (it had been six years in 2016/17). Further the baseline for housing growth, set at 0.4% of the Council Tax base, below which no Bonus allocation is received, also remains in place. This criteria was also put in place in 2017/18 which means the grant calculation for 2018/19 has three years using this new baseline, where the 2018/19 grant only had two years. Consequently the provisional allocation for this Council in 2019/20 is £572,681. This compares unfavourably with the actual in 2018/19 of £716,357.

4.5 The future of New Homes Bonus through the Spending Review process remains far from clear, although the “Government remains fully committed to incentivising housing growth” [Final Settlement written statement]. Therefore in building the MTFS, the figures for 2020/21 and future years only contain the legacy payments of grant already awarded, i.e. as grant on each house built is paid for four years, where houses have already been recognised, we assume that grant will be paid for the full four years.

4.6 The Settlement includes details of other specific grants, including the Rural Services Delivery grant, an allocation to the most rural authorities, which amounts to £161,606 in 2019/20 (this is the same value as in 2018/19); Housing Benefit administration grant of £171,429 (a reduction of £18,752 compared to 2018/19) and Council Tax administration grant £70,250 (an increase of £996 compared to 2018/19).

4.7 The Settlement further identified the local authorities who will be involved in the new 75% Business Rates Retention pilot scheme in 2019/20, unfortunately Cambridgeshire was not amongst those councils selected.

4.8 The Settlement makes provision for shire districts to increase Council Tax by up to 3% or £5, whichever is the greater, in 2019/20 without the need for a referendum. To put a value on this, if we were to increase Council Tax by £5 in 2019/20, this would generate additional income of £148,600 in that year. The budget currently assumes, and the Council’s Corporate Plan promises, that Council Tax will remain frozen for 2019/20 at £142.14.

4.9 The Business Rate Retention Scheme continues as previously operated in 2019/20. The baseline has been uplifted by CPI inflation. Growth in this Council’s business rates remain positive, however, there is always a risk that appeals against business rates can be lodged and, if successful, can be backdated for several years. The Council does therefore include a provision for appeals in determining how much of the rates collected should be posted into the budget.

4.10 At the same time as the Provisional Settlement, the Government launched two consultations. The first is “A review of local authorities’ relative needs and resources”. The Government is undertaking a major spending review in 2019, which will impact from April 2020. The funding review, comes in two parts, firstly Government will determine how much funding each of its Departments will have in 2020/21 and future years. Once this is determined, a further process will be undertaken to determine how the amount allocated to local government will be allocated across the sector.

4.11 As Government no longer plan to provide funding via Revenue Support Grant in 2020/21, the requirement for each local authority will be allocated via the Business Rates Retention Scheme. The consultation above provides some clues as to the potential methodology that will be used by Government to determine this. This will be done by giving a score to different measurable criteria, which when added together determine the relative need of each council. Government then ensures that each authority receives an amount in line with its relative need in the first year by applying tariffs and top-ups to the amount collected in Business Rates and allocated to the different tiers of local government.

4.12 The second consultation is on the Business Rate Retention Scheme. As highlighted earlier, Government are piloting 75% local retention of Business Rates in 2019/20 and this is expected to come into place for all authorities in 2020/21. The process for this, however still remains far from clear, with uncertainty about which grants will be withdrawn to make the scheme fiscally neutral. Revenue Support Grant, public health grant and Rural Services Delivery grant have already been highlighted, but it remains possible that others may be added. A further uncertainty at this point, is the split between tiers of local government and this is one of the reasons for the current pilots to determine which percentages provide the best results.

4.13 While the tier split has little impact in the initial year, as the amount of money retained by each authority will match that determined by Government via the use of tariffs and top-ups, it has a significant impact in future years, when the percentages will influence the amount of growth that each authority will retain.

4.14 Possibly the greatest concern for this Council however, is that the consultation suggests a full baseline reset in 2020/21 should be actioned. The current baseline was set in 2013, when all councils were given a share of Business Rates equal to their needs. Since then councils have been allowed to keep a share of their growth, which for us as a district council has been 40%. In broad figure our baseline is £2.4 million, where we actually budget for £3.3 million of Business Rates because of this growth. If the baseline is fully reset, we will lose all of the growth, and wouldn't know what our revised baseline will be until the results of the other consultation as detailed in 4.10 is known. An allowance has been made in the MTFS for this probable reduction, but at this point, there is no certainty on what this is likely to be.

5 AUTUMN BUDGET 2018

5.1 The autumn budget announced on the 29th October 2018 also contained a number of announcements that will affect Business Rates.

5.2 Retail Relief – The Government have proposed the introduction of extra Business Rate relief for certain retail business premises with a rateable value below £51,000. Under the new scheme, eligible ratepayers will receive a one third discount of their daily chargeable amount. The Government have issued guidelines on the operation of this relief which they intend should have effect for 2019/20 and 2020/21. State aid rules will apply to the retail relief in the usual way.

5.3 Local Authorities are expected to use their discretionary relief powers (Section 47 of the Local Government Act 1988, as amended) to grant this new relief in line with the relevant eligibility criteria set out in the guidelines.

5.4 This new relief will be funded by Government via Section 31 grant and will not therefore reduce the NNDR available to the Council. Members are asked to approve the award of this relief.

5.5 Public Toilets – The Government is minded to bring forward primary legislation to allow for 100% relief on standalone public toilets from 2020/21. (As the full details of this are not yet known and as detailed, it will require primary legislation to put in place, the possible consequences of this change are not included in the figures in this report.)

5.6 The provisional Business Rate multiplier for 2019/20 was confirmed. The small business non-domestic multiplier will increase from 48.8 pence to 49.1 pence and the multiplier for larger businesses (rateable values greater than £51,000) will be 50.4 pence. The multiplier is up-dated using the September CPI which was 2.4%.

6 THE 2018/19 BUDGET

6.1 Due to the proactive actions taken by management to reduce costs and generate new sources of funding in recent years, the revenue budgets for 2019/20 and 2020/21 are currently fully funded; but there are significant budget deficits remaining in subsequent years which will need to be addressed.

6.2 The draft budget for 2019/20 is set out in Appendix 2 to this report.

6.3 The following key assumptions have been made in preparing the draft budget:

- The national employers previously made a two year pay offer to staff covering both the 1st April 2018 and 1st April 2019, this offered a general 2% increase in each year with higher increases at the bottom end of the scale. The budget as presented accounts for both of these increases and indeed an expectation of 2% becoming the norm each year through the MTFS period;
- Following the Pension Fund revaluation as at 31st March 2016 the fund manager requested that the contribution rate be increased from 17% to 17.2%, this increase is reflected in all years of the MTFS, with in addition, the lump sum contribution being increased by £50,000 to £485,000 in 2019/20;
- Inflation on other expenditure has only been included where there is a contractual inflationary increase for example utilities and insurance. 2% has been added to the Waste contract with East Cambs Street Scene. Other budgets have not been increased by inflation;
- The Housing Benefit budget reflects the latest information from Anglia Revenues Partnership (ARP);
- The budgetary implications of the new Leisure Centre have been incorporated into the budget. However, as the funding strategy for the Leisure Centre was that it should be revenue cost neutral, there is no impact on the funding requirement for Council Tax purposes. (See paragraph 10.9);
- £91,000 is made available for the on-going review of the Local Plan; this reflects a reduction in budget provision from the £330,000 made available in 2018/19 when the majority of the work (including the examination in public) was undertaken.

7 COLLECTION FUND AND COUNCIL TAXBASE

7.1 The MTFS assumed that the Collection Fund for Council Tax would be in balance as at 31st March 2019. However, an increased number of houses being built in the District give a forecast surplus as at 31st March 2019, of which £82,574 will come as income to this Council.

7.2 The taxbase for 2019/20 estimated in last year’s budget was an equivalent of 29,575.0 Band D properties. However, the real growth in housing between October 2017 and October 2018 and an estimation of future growth in 2019/20 means that the current forecast for 2019/20 is 29,719.4 Band D properties.

7.3 The NNDR 1 return for 2019/20 was produced at the end of January in line with statutory requirements. Figures from this have been included in the draft budget as now presented, these are different to those presented to Resources and Finance Committee and show an increase in the expected income from this source. The main area of change relates to Renewable Energy receipts, which the District Council keeps 100% of. In 2018/19 budgeted receipts in this area were forecast at £331,937. The Resources and Finance report increased this to £586,094 for 2019/20, but the NNDR1 figure is £748,591 which is repeated throughout the MTFS period.

7.4 As highlighted elsewhere in this report, forecasts for retained Business Rates beyond 2019/20 are almost impossible at this time, but the figures presented take a prudent view, showing a significant reduction on those expected in 2019/20.

7.5 The MTFS assumed that the Collection Fund for Business Rates would be in balance as at 31st March 2019, however the now completed NNDR1 is showing that the Fund will be in surplus at this point and that £246,771 of additional income will be available to this Council in 2019/20.

8 RESERVES

8.1 The Council holds reserves, at levels which remain prudent. It is important to review the level of reserves on a regular basis, in particular to ensure that potential liabilities not in the Council's base budget can be funded from earmarked reserves; and that unearmarked reserves are at a sufficient level to cover any unforeseen events.

8.2 As part of the process of preparing this budget, officers have reviewed each reserve to ensure its purpose and level is appropriate. A Statement of Reserves is attached at Appendix 3.

8.3 The sole unearmarked reserve is the General Fund. This stands at £1,010,837. There is no statutory minimum level set for a local authority's reserves; it is a matter for each local authority's own judgement after taking into consideration the strategic, operational and financial risks it faces. It has been this authority's policy for some time that the level of the unearmarked reserve be set at around 10% of their net operating budget, this is a reasonably prudent approach and a higher percentage than many other authorities locally. The proposed net operating budget for 2019/20 is £10,456,856. Using the 10% figure, this would therefore require an unearmarked reserve of £1,045,686. It is therefore recommended that an additional £34,849 be put into the General Fund, this being a transfer from the Change Management Reserve, rather than a draw form Council Tax.

9 FEES AND CHARGES

9.1 Officers have reviewed the fees and charges, and details of the proposals are shown at Appendix 4. The proposed budgets include increases as a result of both volume and price.

9.2 There have been no new fees or charges approved for 2019/20 at the point of drafting this report. Regulatory Services Committee, at their meeting on the 21st

January 2019, agreed in principle to the introduction of new fees for housing offences, including civil penalties for rogue landlords for some specific offences. These are now subject to a further consultation period of eight weeks before implementation. These will be added to the Fees and Charges schedule at this point.

9.3 As external funding from Government grants continues to reduce, the Council's approach to fees and charges will need to reflect the increasing importance of this as an income source.

10 CAPITAL STRATEGY

10.1 The CIPFA revised 2017 Prudential and Treasury Management Codes requires for 2019/20 all local authorities to prepare a capital strategy report, which provides:

- a high level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
- an overview of how the associated risk is managed;
- the implications for future financial sustainability.

10.2 This Council has no long term capital objectives at this time. The medium term capital programme has been reviewed, and is attached at Appendix 5. The programme is largely a continuation of the previous programme, with a number of additional projects in line with the Council's Corporate Plan objectives aimed at improving service provision and the quality of life for residents of the district. The total value of the programme in 2019/20 is £10,266,369.

10.3 With the Council's Waste Service now being provided by East Cambs Street Scenes (ECSS), the Council is purchasing waste fleet and hiring this to the Company. The hire charge reflecting the Council's capital costs of doing this, both the minimum revenue provision (MRP) and interest costs. Only a small amount of fleet will be purchased in 2019/20, but members attention is drawn to the proposed spend in 2020/21 when the vehicles previously purchased by the use of the Weekly Collection Grant from Government, reach the end of their useful life and require replacing. While these additional costs will be reflected in the charge to ECSS, the Council will need to increase the contract value it pays the Company for providing the service as detailed in paragraph 13.4 to ensure that it can meet these additional costs.

10.4 Expenditure in relation Soham Eastern Gateway, which will be funded from Housing Infrastructure Fund Grant, has been delayed and is now anticipated in 2019/20. This is not a District Council scheme, but instead a County scheme. The grant allocation process required the lower tier authority to appear on the grant application and as such, it needs to go through our books. We will only pay onto the County Council funding that we have already received from Government, so there is very little risk to this Council in this.

10.5 Similarly, the project to refurbish the depot has also been deferred into 2019/20, while further feasibility work takes place and costings of the project reviewed. At this time the budget originally put in for 2018/19 remains in place, but potentially this will need to be adjusted as new information comes to hand.

10.6 At the Full Council meeting on the 18th December 2018, Council agreed the extension of the loan facility to East Cambs Trading Company, specifically for the purchase of Ministry of Defence houses in Ely in conjunction with the Combined Authority. These houses have been unoccupied for some time and it is anticipated that the Council's input, through ECTC, will bring these back into use by December 2020, including the provision of additional affordable housing. Sale proceeds from this project will allow this additional loan of £1,500,000 to be repaid to the Council in March 2021, at the same time as the original loan, and as such the Council will not need to make MRP for it.

10.7 Additional capital provision, £400,000 is also built into the budget for purchasing further land to increase the capacity of the commuter car park in Angel Drove in Ely. This purchase will be funded from CIL contributions.

10.8 The Council previously held cash balances which were invested in short and fixed term deposits, however as agreed in the 2017/18 budget, these are now being deployed to fund the expenditure on the Leisure Centre and the loan to the Company. The current expectation is that external borrowing will be required in 2018/19, however, borrowing will only be undertaken when necessary. More details of the borrowing requirement are detailed in the Treasury Management Strategy (also on the agenda for this meeting).

10.9 The MRP costs associated with the Leisure Centre project are being met from a combination of New Homes Bonus (currently held in reserve) in the early years and the management fee to be paid to the Council by the operator in future years. The Leisure Centre is therefore cash neutral to the Council, with any additional management fee received over that needed to cover debt costs being put into a "repair fund" to ensure that money is available for future maintenance of the Centre.

10.10 The original loan arrangement with ECTC is that the loan must be repaid within five years (March 2021). It has been agreed with our External Auditors that the Council does not need to make any annual revenue provision to repay this loan in the short-term, but simply use the Company's repayment to repay the Council's loan. Officers will continue to monitor this, to ensure that the Company's accounts remain robust and the expectation remains that funding will be available in March 2021 to repay the loan. As long as this remains the case, the Council will not be required to set aside annual revenue provisions, however if at any point it was felt that the loan repayment could be on doubt, the Council would be expected to make provision for any expected shortfall in the year that this became known.

10.11 The other area of capital spend in the capital programme is the on-going provision of Disabled Facilities, both mandatory and discretionary. The Council receives Government funding (from the Better Care Fund), via the County Council to assist with the funding of this work. The total budget in 2019/20 is £772,299, with £511,299 being funded by grant, with the remainder (£261,000) being funded by the Council by the use of previously obtained capital receipts.

10.12 In summary therefore, the Council has limited exposure to the on-going costs of capital expenditure at this time. The costs of the Leisure Centre are being met by the operator; the loan to ECTC will be repaid in full in March 2021 and in the intervening period a commercial interest rate is being charged, and the costs of the Waste fleet and depot enhancements will be passed onto ECSS, although the

Council's revenue budget has been increased to reflect the replacement of the vehicles reaching the end of their useful life in 2020/21.

11 COUNCIL TAX

11.1 It is proposed that the Council freezes its Council Tax for a Band D property at the current level of £142.14, based on the Council Tax Requirement of £4,224,316 divided by the taxbase of 29,719.4 properties.

11.2 The County Council, Fire and Police Authority budgets and precepts were considered by their respective decision making bodies in early February and we have been notified of their precept requirements.

11.3 All parish precepts have also been notified to the Council. These are reflected, along with the precepts set out in paragraphs 10.1 and 10.2, in the formal Council Tax Resolution as detailed as Appendix 1.

12 RISK AND SENSITIVITY ANALYSIS

12.1 The Local Government Act 2003 places two specific requirements on an authority's Section 151 Officer in determining the Council's budget and Council Tax. Under section 25, the Section 151 Officer must advise on the robustness of the estimates included in the budget. The advice given to the Council on these issues is that the estimates have been produced on a prudent basis, with a strong emphasis on ensuring all cost pressures are included. Budget estimates have been developed with senior officers, with regular updates and discussions at Management Team.

12.2 The key risks are around funding of the Council. The Settlement provides clarity around grant funding for 2019/20, but there is very limited information to put forward a MTFS based on confident assumptions on future Government funding looking further ahead. The risks from 2020/21 are significant; there is limited information on likely sources of funding and indeed the value of any funding to be received.

12.3 The Government has announced that it intends for local authorities to retain 75% of all business rates generated in 2020/21 - but there will continue to be the need to share resources across the country - and there will also be additional new burdens placed on local authorities, which are unclear at this time.

12.4 To mitigate the above risk, the Section 151 Officer will continue to report on a frequent basis to Management Team and members as new information becomes available.

12.5 The Section 151 Officer is also required to report on the adequacy of reserves. The projected levels of reserves, specifically the General Fund Reserve and Surplus Savings Reserve, and their use in 2019/20 are **prudent** and show how these will sustain the functions of the Council in that year.

12.6 However, the budget for 2020/21 assumes the vast majority of the remaining balance on the Surplus Savings Reserve is utilised, which will reduce the overall levels of reserves significantly. Reserves can only be utilised once and while the purpose of the Surplus Savings Reserve is to provide one-off funding to balance the budget in future years, the Council needs to be considering all options to reduce the speed that these are utilised so that they remain available further into the future. The Council has a track record of delivering additional savings and generating extra income in advance of the budget requirement, so work done during 2019/20 will hopefully lead to a reduced draw from the Surplus Savings Reserve in that and later years through the MTFS period.

12.7 To further emphasise this, the recent Audit Planning report from EY states in its value for money conclusion “We have identified a significant risk in respect of the financial resilience of the Council and its ability to close the budget gaps it has identified for 2020/21 and 2021/22 in its medium term financial plan.” While this budget now shows that the 2020/21 budget gap has now been addressed (in part as a result of the one-off benefit of the Cambridge Business Rates Deal which has now finished), the gaps in future years are significantly higher than in last year’s budget (as detailed in paragraph 13.6), so attention is needed to address this as a matter of some urgency.

12.8 The key risk around reserves is the risk exposure the Council has with its loan funding of ECTC. Should ECTC encounter any financial difficulties and be unable to repay the £6,500,000 loan made available to it, then the Council will need to account for this within its financial statements. In such an event, the Council would need to draw on its reserves to meet such a liability.

13 MEDIUM TERM FINANCIAL STRATEGY

13.1 The Council’s Medium Term Financial Strategy is to set a robust financial framework for the Council’s plans over the next four years which support the delivery of the Council’s priorities within a context of an annual balanced budget. Specifically, the MTFS:

- Looks to the longer term to help plan sustainable services within an uncertain external economic and funding environment;
- Maximises the Council’s financial resilience and manage risk and volatility, including managing adequate reserves;
- Helps ensure that the Council’s financial resources are directed to support delivery of the Council’s priorities over the medium term.

13.2 As detailed earlier in this report, the Government is currently undertaking a considerable piece of work to develop a new Business Rate retention scheme to come into effect from 2020/21. This creates considerable uncertainty for local authority funding; and is an issue which will require monitoring; this so that the Council can adjust its MTFS as new information becomes available.

13.3 The MTFS covers the period 2019/20 to 2022/23. 2019/20 is the final year of the current government core grant scheme and so the figures for this year are robust. However, as highlighted, it is extremely difficult to develop a robust MTFS to cover the period 2020/21 and beyond while the uncertainties around future funding levels remain. This report has attempted to do this using the limited information available. Further up-dates will be provided to Council as further information becomes available.

13.4 The assumptions used in the MTFS include:

- Government funding through Revenue Support Grant ends in 2019/20, as per the Provisional Settlement;
- New Homes Bonus reduces to levels projected in the Settlement, but remains part of the overall funding package from Government (this is not certain, but there is nothing in any of the recent consultations to suggest that we should differ from this view);
- The Council's Business Rate growth continues;
- 2% inflation is added to the Waste contract on an annual basis, however additional budget is provided from 2021/22 when new recycling vehicles will be purchased. The vehicles purchased by the Council using the weekly collection grant from Government will reach the end of their useable life in 2020/21 so will need to be replaced, adding this additional cost. (This cost increase would have occurred regardless of whom is undertaking the contract at this point);
- The loan to ECTC is planned to be repaid in March 2021, the interest received by the Council on this loan will therefore stop at this point. The loan repayment will be used to reduce Council external borrowing, therefore reducing costs, albeit not to the magnitude that income will be lost;
- The Council has a track record of delivering cost reductions; it is anticipated therefore that a contribution to the budget deficit forecast in future years will be achieved during the term through general efficiencies and income generating opportunities; however, to be prudent, no account of these are shown within the forecasts within this report.
- Further, while ECTC is anticipated to start making profits in the period of the MTFS, it remains unclear how much of this will need to be retained by the business as working capital, so at this point, no account of this income being paid back to the Council as a dividend is assumed in the budget.

13.5 The impact of the above assumptions is attached at Appendix 2. This shows the budgets for 2019/20 and 2020/21 are fully funded based on those assumptions. However, there are significant budget shortfalls projected in the subsequent years. Clearly many things will change between now and then, so members should not focus on the precise numbers. What is far more important is that members appreciate the direction of funding facing this and many local authorities, and the likely scale. It will be necessary to develop a plan to meet these shortfalls, although the Council does have time (although limited) to put the necessary plans in place. The Council also has access to a reasonable level of reserves, as described in section 8 of this report.

13.6 While noting the uncertainty that is highlighted in this report about the 2020/21 financial year, it is considered unlikely that the quantum of funding from Government will increase and as such, this Council will need to identify measures to bridge the budget gap. A comparison between this year's MTFS and last year's does highlight an increasing need to identify savings in the medium term, to ensure that the Council's budget can be balanced in future years.

2018/19 Budget	
2018/19 – budget year	Balanced
2019/20 – MTFS year 1	Balanced
2020/21 – MTFS year 2	Savings to find £2,584,904
2021/22 – MTFS year 3	Savings to find £3,323,910

2019/20 Budget	
2019/20 – budget year	Balanced
2020/21 – MTFS year 1	Balanced
2021/22 – MTFS year 2	Savings to find £3,183,519
2022/23 – MTFS year 3	Savings to find £4,045,024

13.7 Options to resolve the budget shortfalls in future years come from:

- Efficiencies in the cost of service delivery
- Reductions in service levels
- Increased Council Tax
- Increased income from fees and charges
- Increased commercialisation via its trading companies

13.8 While noting the Council's favourable position of having a balanced budget for the first two years of the MTFS period, it is strongly recommended that early consideration is made of how savings in future years will be achieved. All the bullets above need to be considered, with a quickening of the pace of commercialisation and the review of all income generating opportunities, as these are potentially the areas that could generate the highest returns. However, within the MTFS period, all options will need to be considered and potentially implemented.

13.9 Any savings achieved in 2018/19, 2019/20 or 2020/21 resulting in potential underspends in those years, will provide further funding in the Surplus Savings Reserve to assist in the balancing of future years.

14 ARGUMENTS/CONCLUSIONS

14.1 The proactive actions already taken have led to a balanced budget for 2019/20 and 2020/21 (based on known information). The budget for 2019/20 therefore has minimal risks attached to it, although the Medium Term Financial Strategy and the new funding regime post 2020/21 do contain significant uncertainty and therefore risk. While there is little this Council can do to remove this uncertainty at this point, it does need to look for opportunities within its control now, which will bridge some part of the funding gap currently forecast.

15 FINANCIAL IMPLICATIONS

15.1 The proposed net operating budget of £10,456,856 will be financed by Revenue Support Grant, retained Business Rates, Council Tax and the Surplus Savings Reserve.

16 APPENDICES

Appendix 1 - Formal Council Tax Resolution
Appendix 2 - Draft Budget 2019/20
Appendix 3 - Statement of Reserves
Appendix 4 - Schedule of Fees and Charges
Appendix 5 - Capital Programme

Background Documents	**Location**	**Contact Officer**
	Room 104 The Grange Ely	Ian Smith Finance Manager (01353) 616470 E-mail: ian.smith@eastcambs.gov.uk